

Small Business and Micro Business Lending in the United States for Data Years 2006-2007

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Introduction

Annually, the Office of Advocacy prepares a study on institutional lending to small firms. The report examines small business lending in the economy by all lenders in the United States. The study provides a review of lending activities based on two types of data that lenders report to their regulating agencies—the Consolidated Reports of Condition and Income (Call Reports) for June 2007 and the Community Reinvestment Act (CRA) reports for 2006. Because data are available only by the size of the loan, small business loans are defined as business loans under \$1 million, and micro business loans are those under \$100,000. Those in the \$100,000-\$1 million category are referred to as larger small business loans. The report includes a discussion of developments in the small and micro business lending activities of institutional lenders. No attempt has been made to distinguish SBA guaranteed lenders in the analysis. Lenders are ranked based on their overall lending, not lending under SBA programs.

Part one reviews developments apparent in the Call Report data from June 2006 through June 2007 and the CRA database for the year 2006. Part two provides directories of the top small and micro business lenders in the 50 states, the District of Columbia, and some U.S. territories. For the reader's convenience, national tables for multi-billion-dollar banks and bank holding companies are presented first, followed by state tables.

Beginning in 2005, the reports in this series were expanded to include savings banks and savings and loan associations, in addition to commercial banks. Geographic coverage has been expanded to include American Samoa, Guam, Puerto Rico, and the U.S. Virgin Islands.

Overall Findings

The pace of borrowing and lending in the small business loan markets in 2006-2007 was much stronger than in the previous year, for both micro business loans under \$100,000 and those in the larger small business category (\$100,000-\$1 million).

Highlights

- Small business loans outstanding (loans under \$1 million) were valued at \$684.6 billion for 24.5 million loans from 8,633 reporting depository institutions in the United States and territories in June 2007. This compares with a total of 21.3 million loans valued at \$634 billion in the previous year.
- The most significant change in micro business lending (loans under \$100,000) was in the number of loans, which jumped by 13.7 percent after being relatively flat in the previous period.
- The micro business loan market was dominated by the largest lenders (asset sizes of more than \$10 billion) which represented 66.4 percent of the number and 58.2 percent of the value of these small loans as of June 2007.
- The share of the number of larger small business loans (\$100,000- \$1 million) made by multi-billion-dollar lending institutions has declined since 2005, from 42.0 percent to 32.3 percent in 2007.
- The CRA reports confirm that lending in these larger small business loans mirrors the findings in the Call Report data. In 2006, 791 CRA reporting institutions extended 11.6 million loans that were under \$1 million, for a total of \$289.8 billion in small business loans. This compares with \$271.1 billion for a total of 7.9 million loans made by 774 lending institutions the previous year.

Methodology

This report observes the environment of lending institution activities using two types of data reported by financial institutions to their regulating agencies. Call Reports include information on the number and dollar amount of business loans outstanding in June 2007, and Community Reinvestment Act data cover lending to small businesses for calendar year 2006.

The data reported are available by loan size, not by business size. Small business loans are defined here as loans under \$1 million; mid-sized loans are those valued at \$100,000 to under \$1 million; and micro loans are loans of less than \$100,000. Large lending institutions with total domestic assets of more than \$10 billion are ranked and reported separately, under the presumption that they serve a national market. Rankings by state are made for all reporting lenders on the basis of the designated headquarters state of the reporting lending institutions.

Two ranking methods are used, depending upon the availability of data. For lending institutions filing Call Reports, for which information on total assets and total business loans is available, four criteria are used as the basis for a lender's performance ranking. A decile ranking is first computed for individual criteria (decile rankings range from 1 to 10). Lending institutions in the top 10 percent of all lenders in the state receive the maximum score of 10; banks in the lowest 10 percent receive a score of 1. Lenders that do not lend to small businesses (loans under \$1 million) receive a 0. A summary ranking consolidating the four decile rankings is computed for each institution in the state rankings. Four top scores will sum to 40. To make the top score total 100, each score is multiplied by 2.5.

To rank state lending using the CRA data, lenders are listed in order of the dollar amount of small business loans made in each state in 2006. Large institutions therefore appear at the top. Simple rankings are used for multi-billion-dollar lending institutions because a small number of lenders is involved.

This report was peer-reviewed consistent with Advocacy's data quality guidelines. More information on this process can be obtained by contacting the director of economic research at advocacy@sba.gov or (202) 205-6533.

Ordering Information

The full text of this report and summaries of other studies performed under contract with the U.S. Small Business Administration's Office of Advocacy are available on the Internet at www.sba.gov/advo/research. Copies are available for purchase from:

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